



Governor's Task Force on

Modernizing Transportation Funding in Idaho

— **Cost Allocation Study** —

What is the purpose of a Cost Allocation Study?

Cost allocations studies analyze the equity of highway user fees.

- **Do users pay the full cost of highways?**
- **How do broad classes of users compare with each other?**
 - Are some users overpaying or underpaying?
 - By how much?
- **What changes will improve equity among highway users?**

Why do a Cost Allocation Study?

- **To monitor the need for fee adjustments**
- **The perceived need for fee changes**
- **Inequity of current fee rates**
- **Changes in the highway program that raise questions about who should be paying for the highway system**

Who Conducts Cost Allocation Studies?

- **State transportation departments or highway agencies**
- **The Federal Highway Administration**
- **State legislatures**
- **State agencies**
- **Interest groups (as research projects)**

What Do Cost Allocation Studies Produce?

- Estimates of the fees being paid by each vehicle class
- Estimates of the cost responsibility for each vehicle class
- Equity ratios for each vehicle class
- Recommended changes for more equitable fee structures

Revenue-to-Cost-Responsibility Ratios with Detailed Data Covering All State and Federal Highway Programs for FY 2001 - 2005								
B	C	D	E	F	G	H	I	J
	User	Cost						1994
	Revenue	Responsibility	Vehicle	Revenue	Cost	Revenue-to-Cost		Study
Vehicle	(Millions	(Millions	Miles	Per Mile	Per Mile	Responsibility Ratio		Adjusted
Class	per year)	per year)	(Millions)	(Cents)	(Cents)	Unadjusted	Adjusted	Ratio
Autos	160	202	8,007	1.99	2.52	0.79	0.94	0.84
Pickups	123	131	5,059	2.42	2.60	0.93	1.11	1.19
Buses	3	4	122	2.28	3.51	0.65	0.77	1.08
Single Unit Trucks	58	59	897	6.43	6.53	0.98	1.17	1.20
Combinations	165	208	1,742	9.47	11.92	0.79	0.95	0.99
All Vehicles	508	604	15,826	3.21	3.81	0.84	1.00	1.00
Autos + Pickups	282	333	13,066	2.16	2.55	0.85	1.01	0.97
All Trucks	223	266	2,639	8.44	10.09	0.84	0.99	1.04

What Are the Basic Steps of a Cost Allocation Study?

- **Develop a work program**
- **Select specific procedures and assumptions for the study**
- **Assemble data and perform the analyses required to prepare inputs to the model**
- **Prepare inputs**
- **Execute all programs in the model**
- **Analyze results of model runs**
- **Interpret results**

Summary

Cost Allocation Studies:

- Provide a helpful tool for policy leaders
- Can be the basis for assessing equitable fee structures
- Estimate the fees being paid by each vehicle class
- Estimate the cost responsibility for each vehicle class